

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 1680, GPO Brooklyn, N.Y. 11202

Date: **OCT 10 1985**

Person to Contact:

Contact Telephone Number:

Refer Reply to:
EO: [REDACTED]

CERTIFIED MAIL

Gentlemen:

We have considered your application for tax exempt status under Internal Revenue Code Section 501(c)(6).

The evidence presented discloses that you were incorporated on [REDACTED] in the State of [REDACTED].

The purpose for which the corporation is organized are:

to operate for the general betterment, development, and enhance of franchisees and to transact any and all lawful business for corporations may be incorporated under this chapter.

Your bylaws state under membership, Article I, Section 1. Qualifications "any person, firm or corporation engaged in a franchised business deal with [REDACTED]"

On your application you state, "This organization was organized [REDACTED] as a means by which [REDACTED] franchise owners get together to share mutual concerns, discuss problems, and share ideas."

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual person.

Revenue ruling 67-77 1967-1 C.B. 138 described an association of dealers selling a particular make of automobile which engaged in financing general advertising campaigns to promote the sale of that particular make. This organization was held not to be exempt.

In Pepsi - Cola Bottlers' Association v United States, 369 F 2d 250 (1966) the court held that an association of the bottlers of a particular brand of soft drink were promoting a line of business. The government's action on the decision stated that the service believed the Court to be in error in holding that an organization engaged in promoting the more efficient production and sale of a franchised product is engaged in advancing a "line of business," in view of the regulations which provide that such organizations are of the same general class as a board of trade or chamber of commerce.

The Supreme Court wishing to resolve the conflict coming out of Pepsi - Cola Bottler's Association v. United States ruled in the case of National Muffler Dealers Association v. U.S., 440 U.S. 472 (1979) that "an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business. They stated in sum"... The distinction drawn here, that a tax exemption is not available to aid one group in competition with another within an industry, is but a particular manifestation of an established principle of tax administration..."

Accordingly we hold that you do not meet the qualifications of an organization defined under section 501(c)(6) of the Internal Revenue Code, or in any other related paragraph of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

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Protests submitted which do not contain all the documentation stated in instructions will be returned for completions.

If we do not hear from you within that time, this determination will be final.

Sincerely yours,

TS/

District Director

Enclosure: Pub. 892